

INDIA**Punjab State Road Sector Project (Loan 4843-IN)****The 7th Implementation Support Mission (May 24 to 29, 2010)****Aide-Memoire****I. INTRODUCTION**

1. A World Bank team¹ visited the State of Punjab from May 24 to 29, 2010, to review the implementation progress of the Punjab State Road Sector Project (PSRSP). The team conducted site visits of two of the upgradation packages and held discussions with the Punjab Roads & Buildings Development Board (PRBDB) and Government of Punjab (GOP).

2. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission wishes to thank the Government of Punjab (GoP) for their support and cooperation during the mission. The agreed key actions are shown in **Annex 1**.

II. KEY PROJECT DATA & PERFORMANCE RATING

3. This project was approved by the World Bank Board of Directors on December 5, 2006. The Loan and Project Agreements were signed on February 26, 2007 and the loan was made effective on April 2, 2007. The following table summarizes the key project data and updated project performances at this mission.

Key Project Data		Current Ratings and Flags	
Board Date	December 05, 2006	Development Objectives	Satisfactory
Closing Date	June 05, 2012	Implementation Progress	Moderately Satisfactory
Project Age	40 months	Problem Flags	2 (Counterpart Funding and Non-Compliance of 3 Legal Covenants)
% Disbursed	44.1 %		

¹ Consisting of Ben L. J. Eijbergen (Task Team Leader/Lead Transport Specialist), Yitzhak Kamhi (Sr. Consultant-Transport Management & Planning); Neha Vyas (Environment Specialist), Parthapriya Ghosh (Social Development Specialist), Harish Chawla (Consultant - Contract Management Specialist), Maju Mathew (Consultant - HIV/AIDS Specialist), Pradeep Valsangkar (Consultant - IT Specialist), Alok Bansal (Consultant – Transport Planner); Tanuj Mathur (Sr. Financial Management Specialist), and N. S. Srinivas (Sr. Program Assistant, Transport).

III. SUMMARY OF FINDINGS, DISCUSSIONS AND AGREEMENTS

4. **Development Objective (DO).** The project's overall development objective is to improve operating conditions of State roads for road users, in a sustainable way, thus helping to provide the business enabling environment necessary to support Punjab's economic development strategy. Progress in achieving the development objective is rated **Satisfactory** since: (a) all Phase I civil works for 10 periodic maintenance packages (354 km) were fully completed, (b) 6 rehabilitation packages (205 km) and one of the upgradation packages (41 km) have been substantially completed, and the construction of the remaining 2 upgradation packages (111 km) is progressing well, Annex 7 summarizes the current status of results monitoring and key performance indicator.

5. The list of actions to be taken by the Government of Punjab is outlined in Annex 1.

6. **Implementation Progress Rating.** Implementation progress rating is **Moderately Satisfactory** due to the slow progress observed in the Phase I civil works.

7. **Phase I Civil Works Progress:** All Phase I works have been completed except the upgrading packages UG1 and UG2.

8. **Status of works on the package UG1:** Works under Milestone-1 was completed in June 2009 and the contractor was serving the defects liability period. However, the mission was concerned to note that the defects liability period is coming to an end soon and some defects are still to be rectified by the contractor. The mission urged that the contractor has to address this pending issue on priority. Under Milestone-2, the progress achieved so far is about 70% with the completion of date of the contract already lapsed in April 2010. The mission observed that the progress on one major and two minor bridges are very slow. In addition, work on two slab culverts is yet to be taken up. The mission opined that at the current rate of progress the entire work is unlikely to be completed July 2010 as is being envisaged by the contractor.

9. **Status of works on the package UG2:** The package is being implemented very slowly by the contractor. The contractor has not been able to carry out the works as per the program for any one month thereby substantially increasing the gap between the quantum of works targeted and achieved so far. The completion date for the contract is August, 2010 and the contractor should have achieved a total progress of more than 95 percent both in physical and financial terms. As against this, they have achieved only about 50 percent progress which the mission noted with serious concern. At the current rate of progress the contractor believes that the work is expected to be completed by March 2011. However, achieving completion would be possible subject to enhancement in the working capacity, primarily with respect to manpower. On UG2, acquisition of land in village Dehlon has not been completed due to unclear title of the some land. In May 2009 WB Mission, it was decided to restrict the cross section to 2 lane at village Dehlon under the ongoing contract so as to avoid delay in completion of the contract. It was informed that DPR Consultant had also submitted alternatives for construction of bye-pass for this village. PRBDB shall submit the proposal of constructing Bye-Pass around the village Dehlon under a separate contract to the Bank for review.

Details on the above two packages is given in **Annex 2.**

10. The mission updated the project cost as presented in the following table. With the expected final costs of Phase I, the available project budget for Phase II civil works is estimated to be about US\$138 million.

Updated Project Cost

Component	Total Project Cost in PAD (US\$ million)	Updated Total Cost (US\$ million)	Phase I (US\$ million)	Phase II (US\$ million)
	(1)	(2)	(3)	(2) – (3)
A - Road Development Component 1	310.30	312.40	174.41	138.08
Road Upgradation (UG)	221.50	164.99	104.52	138.08
Rehabilitation (RH)	66.90	104.98	57.37	
Maintenance (PM) and Other works	22.00	42.43	12.52	
B- IS Component 2	11.00	11.00	10.92	
Incremental Operating Costs	12.00	10.00	10.00	
Total	333.4	333.40	333.40	

11. **Phase II (OPRC) Civil Works Preparation:** The design for Phase II civil works (to be undertaken as Output and Performance Based Road Contracts (OPRC) has progressed well although it was substantially delayed because of various reasons among which the changing of the project areas to be subjected to the OPRC project preparation. Eventually, the final report has been prepared incorporating all required suggestions and requirements provided to the consultants by the Bank and the client. Bank has reviewed the final report and has provided the comments as given in **Annex 3**. The revised final report, after incorporating Bank comments, has been submitted to the Bank by PRBDB. Following the meetings with the highest professional and political leadership on the OPRC project, which was initially foreseen to be implemented (simultaneously) by developing 3 southern road networks, will be now phased in order to meet the current financial requirements and the potential financing that could come from a Repeater Project, when it takes place. Therefore, the immediate Package 1 civil works, which is planned to be tendered in September/October 2010, will include the network of priority roads of /Sangur /Bathinda Areas, while the second Package will include the remaining roads from Bathinda/Sangur and Muktsar Area Roads. The second Package will also look into the possibility of replicating the OPRC method of contracting in several other areas of the State. PRBDB has, in that light, submitted a letter dated May 31, 2010, supported by the detailed analysis of the Package 1 works, explaining the rationale and the compelling reasons for its immediate implementation. The letter, besides providing the technical details, also provides the financing estimates, amounting to about US\$ 145 million only for works. The second package, which will be tendered later stage, is estimated to about US \$ 126 million for works. The overall financing for Bathinda/Sangur Area Roads under the OPRC, the Package 1, including the potential amounts for provisional items- purchases of required equipment for measurements, (in the amount of US\$ 600,000), project physical and price contingency of 10% (in an amount of US\$ 14.5 million), and cost of monitoring /supervision consultant and an independent auditor, (amounting to US\$7.6 million) is about US\$ 167.5 million. In addition, there is a need for a budgetary provision of about US\$ 51.5 million for various emergency and other potential risks mitigation works. Overall, the total estimated cost of the project over the 10 year period is estimated at US\$219.0 million. In the same letter mentioned above, PRBDB has asked for Bank’s decision on the following issues:

- (i) Bank’s consent on the proposed packaging and the immediate implementation of the Package 1 civil works, explaining that the available balance of about US\$ 140 million in the project, which in addition to GOP’s commitment of US\$ 30 million over the period is sufficient to cover the estimated cost of the Package 1 including the cost of provisional amounts, contingencies, monitoring supervision and independent external auditor.

- (ii) Bank's No Objection to allow the required extension of time of the existing loan to capture the required implementation period of 10 years.

12. The Bank will respond on the above request within 4-5 weeks as to allow for the proposed time until the tendering. In addition the Road Show is scheduled to take place in Chandigarh in the third week of September 2010, to be immediately followed by issuing the tender documents to potential bidders.

Detailed comments on the report are given in **Annex 3**.

13. **Computerization:** A draft contract has been negotiated with the consultants after due process of selection by PRBDB and clearance by the WB. The mission was informed about some minor issues with respect to insurance of the project as well as the timelines of the task. The mission clarified that the insurance amount is determined as per the Bank policy and with regard to the timelines, it is derived from the published RFP document. The mission was informed that the consultants have requested for some time to seek clearance from their internal legal department with respect to the points clarified. It is expected that the contract will be signed by July 31, 2010, and the activities are likely to begin from next week.

14. The mission advised PRBDB to create a "Project Steering Committee" to move the computerization project seamlessly. Such a steering committee may be constituted by selecting nodal officers within the PWD for various aspects of computerization. This may include functions such as roads / building construction, project management (From DPR to project delivery to disbursement and M&E), financial management, human resource management, Roads Maintenance Management System (RMMS), Roads Inventory Management System (RIMS) as well as other smaller functions of inventory management etc. Creation of such a Project Steering Committee will facilitate easy interaction of the department with the consultants and smooth progression of the project. It shall also vest the project ownership firmly with the department.

15. **Integrated Transport Policy and Strategy and Strategic Investment Plan (Transport Sector Master Plan):** The consultants have submitted the Draft Final Report, dated May 2010, which is a revision of the same report submitted to the Client in March 2010. The first version from March 2010 was commented by PRBDB, but not submitted to the Bank. The current version cannot be considered as complete, as it did not provide the minimal information and analysis required under the TOR. It basically follows the information from the Inception Report, without further deeper analysis of the available data, introduction of various modals operating in the multimodal fashion and also not providing the basis for a strategic investment plan targeting planning horizons of 5, 10 and 25 years. The Bank mission and the Client provided the necessary guidance to the consultants, which they accepted and as the result the current Report was taken back and a revised report will be submitted by the second half of July 2010. A presentation on PPP was made by the consultants. While the presentation is a good piece of work, the PPP issue in the project is one of the vehicles to show how to increase fiscal space and involve the private capital in infrastructure development, but not the only tool, therefore as far as this project is concerned, the subject of PPP has to be part of an overall framework of a multimodal approach and a mix of potential solutions, specifically when analyzing the gaps in respect of necessary financing of the planned and adopted critical infrastructure strategic investment program(s).

16. **Environmental Safeguard Management:** The status of implementation of Environment Management Plans (EMPs) on the various road corridors under the upgrading (UG/1 and 02) and rehabilitation (RH/1 to 6) components of the project was reviewed. Additionally, the mission focused on the detailed review and finalization of outputs from the various consultancy services, which include

assignments related to: (a) integration of environment management dimensions into the Standard Bidding Documents of Public Works Department; (b) EMP Training; (c) EMP Compliance and; (d) Output and Performance Based Road Contracts (OPRC). The status and progress on regulatory clearances, disclosure of information and documentation and reporting on environmental aspects was also reviewed by the mission. Details have been provided in **Annex 4**.

17. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is ‘satisfactory’. While improvements and progress has been noted in most areas, including on aspects pointed out during the previous mission, focused efforts are required to resolve two outstanding issues: (a) EMP implementation on UG/01, which continues to be weak and (b) drainage issues, particularly with regard to provision of proper outfalls and maintenance/clean-up before monsoon. The mission continues to urge PRBDB/PWD to closely follow-up the said outstanding issues.

18. The mission acknowledged PRBDB/PWD’s efforts and expressed satisfaction at the completion of the assignment related to integration of environment management dimensions into the Standard Bidding Document of the Public Works Department (PWD). The document has been reviewed thoroughly, recommendations for mainstreaming of environmental requirements have been made and the document has been forwarded to Govt. of Punjab for adoption in future works of PWD. During this process, apart from the extensive consultation that was carried out with PWD staff, consultants and contractors, substantial experience from implementation of EMPs in PSRSP has been used for finalizing the outputs.

19. **Social Safeguard Management:** The implementation of Resettlement Action plan has been completed and NGO has also submitted the withdrawal report. The balance activities that needs to be completed include; (i) possession of 484 sq yards of land on UG 2 (approximately INR 3.5 million is to be paid to the land owner to complete the process); (ii) disbursement of R&R assistance to one PAP on UG 2, pending court’s decision; and (iii) relocation of 22 priority 2 CPRs of mile stone II of UG 1 and 2 which includes construction of new bus shelters and foundation stones. The mission was informed that about 20 PAPs (primarily on UG 2) have complained to the office of DC and also to Human Right Commission that road width has been extended beyond the acquired land and they have not been compensated for the additional land loss. PRBDB has so far reviewed 3 such cases and found that in one such case, additional private land has been used to construct the road that was not acquired. The individual land owner has been compensated. It was agreed that PRBDB will review all such cases along with the revenue department and submit a report to the Bank by August 31, 2010.

20. The mission discussed the scope of end term evaluation with the consultant and it was agreed that sample will be increased to 300 from 200 PAPs covered during midterm evaluation. The PRBDB will share the questionnaire with the Bank as there will be changes in the questionnaire used during the midterm evaluation. It was also agreed that rehabilitation roads will also be covered during this evaluation. The end term evaluation apart from focusing on results and processes adopted will also comment on gender issues and other vulnerability. It was also agreed that the consultant hired for end term evaluation will also conduct the midterm evaluation of HIV component and PRBDB will issue variation order for the same.

21. The mission reviewed the social report for OPRC with the consultants. It was agreed that consultants will resubmit the final report incorporating the comments given by the mission. The final report will include (i) preparation and implementation of RAP in the framework; (ii) a summary guidelines for preparation and implementation of SIA and RAP; (iii) a section on existing legal framework and its’ applicability to the project; and (iv) a terms of reference for implementation of RAP and awareness generation campaign for HIV/ AIDS and road safety among the community members.

22. **HIV/AIDS Prevention:** The Consultants engaged by PRBDB to implement HIV prevention activities have completed 20 months of awareness raising activities on the road development project. The mission was pleased with the activities being undertaken and the acceptance of the consultants work by the contractors and the communities. As the first phase of the project is being completed it is proposed that a mid-term evaluation of the HIV prevention component being implemented in the road development project be undertaken. Through this evaluation the effectiveness of the work being undertaken can be assessed and the lessons learned can be documented. To avoid the time delay of selecting and contracting a new evaluation Consultant, PRBDB could consider adding the HIV prevention evaluation ToR to the existing RAP evaluation Consultants contract engaged by PRBDB. It is proposed that the evaluation follows a sampling methodology and is conducted in a participatory manner. Detailed findings are given in **Annex 5**.

23. **Financial Management and Disbursement Aspects:** On financial management, *disbursement* from the Bank as on May 21st, 2010 stands at USD 114.207 Million which represents 45.68% of the loan of USD 250.00 Million. *Expenditure* till end April 2010 is Rs. 669.63 crores. *Disallowances made/objections raised by Auditors* for FY 08 – 09 add up to a sum of Rs. 23.53 crores. The project has responded to the AG on 9th April but apparently needs to follow up. A meeting should be held with the AG to get these paras dropped at the earliest. As on date *advances for shifting of utilities* of Rs 4.4 crores are outstanding from two departments; with a significant part of the same relating to FY 06 - 07. The project must make the best efforts to obtain the UCs at the earliest. Selection of *Internal Auditors* for FY 09-10 onwards has been completed with some delay; their first report is expected by end September 2010. *Staffing/ capacity* aspects remain adequate. The detailed findings are given in **Annex 6**.

24. **Status of Governance and Accountability Actions:**

Compliance with Legal Covenants: The following legal covenants are out of compliance or partially complied with

- (i) ***Road Fund and its Secretariat:*** GoP needed to establish and fully operationalize, satisfactory to the Bank, the Road Maintenance Fund and its Secretariat by January 31, 2008; refer to Section I-A-6, Schedule of Project Agreement. This covenant is delayed & is partially complied since the approval of the creation of the Fund was given by GoP on May 20, 2009 but Road Fund Secretariat is still not in operation. PRBDB sought the support of WB for operationalization of this Secretariat for which WB shared the particulars of the International experts in the subject. Further follow up from PRBDB is expected.

Further based on the revised requirement for maintenance of Plan Roads in State, due to many corridors now being maintained by the BOT operators or by PMGSY contractors, PRBDB shall submit a case to WB for reviewing the necessity of this legal covenant in present form.

- (ii) ***Funding for Plan Roads Maintenance:*** GoP needed to disburse to the Road Maintenance Fund, at least US\$25 million by December 31, 2007; refer to Section I-A-7, Schedule of Project Agreement. This covenant is still pending for compliance as no funds have been transferred to the account yet. The mission reminded PRBDB about the long pending issue of counterpart funding with the Government of Punjab. The mission reiterated that compliance with this important covenant is extremely important. The mission urged that unless this long pending issue is addressed on priority, it will be difficult for the Bank to consider any future proposals to be received from the Government of Punjab.
- (iii) ***Submission of Statutory Audit (external Audit) by September 30, 2009.*** Mission was informed that Statutory Audit report stands submitted to the World Bank on 29th Jan 2010.

25. **Results Monitoring:** The updated results monitoring indicators are given in **Annex 7**.
26. **Governance and Anti-corruption Action Plan:** The updated implementation status of the Governance and Anti-corruption action plan is provided in Annex 8.

The mission would discuss in detail the status of progress achieved on the institutional strengthening, road safety and road information system during the next mission.

The Next Mission: The next full mission is scheduled for around October/November 2010.

Annex-1**Agreed New/Updated Key Actions****Actions agreed during this mission**

No.	Key Actions	By whom	Target Date
Upgrading Works, Rehabilitation and Maintenance (Phase I & II)			
1	UG2-Detailed work program for completion of all the structures	Contractor	Pending
2	Decision on conversion of hard shoulders into paved shoulders	PRBDB/PWD	Pending
Social Safeguards			
3	Report on complaints by PAPs on additional land loss	PRBDB	August 31, 2010
4	Draft end term evaluation report	Consultants / PRBDB	September 30, 2010
5	Final Social report for corridors under OPRC	Consultants / PRBDB	Pending
Environment Management			
6	Improve worksite safety on UG/1 and 2	PRBDB/PWD/ Contractor/CSC	Immediate corrective actions and close monitoring required
7	Fill-up the vacant EO position in the CSC set-up for upgrading works	CSC/PRBDB	Pending
8	Complete corrective actions to resolve environmental health and safety issues in case of drain works	PRBDB/PWD/ Contractor/CSC	By July 31, 2010
Financial Management			
9	Information to Bank that Annual Financial Statements have been submitted to the Auditor General (AG) and AG invited to commence audit	PRBDB	Pending
10	Obtain Utilization certificates from other department for shifting of utilities	PRBDB	Ongoing
11	Provide a copy of Internal Audit Report for FY 09 – 10 to the Bank	PRBDB	September 30, 2010
12	Meet with Auditor General for settlement of audit paras of Rs 23.53 crores for FY 08 - 09	PRBDB	Complied

Status of agreed actions during the previous mission(s)

No.	Key Actions	By whom	Target Date	Status
Upgrading Works, Rehabilitation and Maintenance (Phase I & II)				
1	Finalize the proposal to implement the findings of road_safety audit carried out by PM (Safety)	PRBDB / PWD / TAC / CSC	Jun. 15, 2009	No objection issued by the Bank on draft ToR and draft bidding documents for road safety enhancement.
2	Organize a meeting with DEA for implementation of audit for Custom/ Excise Exemption	WB		Discussed at the portfolio review meeting. Complied.
3	<u>Quality of works on the package UG1</u> - arrange the rectification of works as per the specifications and submit an action taken report to the Bank	PWD/PRBDB	Dec 21, 2009.	Previous report pending with Chief Engineer (PSRSP). Amended report incorporating recent comments to be submitted.

				Target date revised to June 30, 2010.
4	Quality of Supervision Consultant - Show Cause notice to be issued to the Consultants	PWD/PRBDB	Dec. 25, 2009	Complied
5	Drainage Issue -			
	<ul style="list-style-type: none"> Submit the consolidated interim report including technical, social and environmental issues. 	PRBDB	Dec. 15, 2009	Complied
	<ul style="list-style-type: none"> Final Report 	PRBDB	Aug. 31, 2010	Target date to be amended due to slow progress in UG2.
Institutional Strengthening Component				
6	Amount provided to Road Maintenance Fund amounts to US\$25 million	GoP	Jul. 31, 2009	(Overdue Legal Covenant). Target date revised to July 31, 2010
7	Individual advisor for Road Fund Secretariat to be appointed	PRBDB	Sept. 30, 2009	(Overdue Legal Covenant). Target date revised to July 31, 2010.
8	Contract in place for PMC	PRBDB	Jan. 31, 2010	Target date revised to June 30, 2010
Social Safeguards				
9	CPR Relocation	NGO / PRBDB	Jun. 30, 2009	13 hand pumps on RH3 are yet to be relocated. Target date revised to July 31, 2010..
10	Impact assessment of drains in the habitat to be completed	PRBDB / NGO	Jul. 15, 2009	Complied.
11	EIA and SIA of 2 km of stretch of RH 2	PRBDB	Dec. 15, 2009	Report pending for submission. Target date revised to June 15, 2010.
12	Remedial measures for the impact of drains in the packages other than RH 3	PRBDB	Apr. 15, 2010	Complied.
13	Environment and Social screening reports and ESMF for corridors under OPRC	Consultants / PRBDB	Dec. 31, 2009	Environment and Social reports to be included in Final Report to be submitted by M/s. OPUS. Target date revised to June 14, 2010.
14	Revised report on SIA of Drain	Consultant	Dec. 15, 2009	Complied
Financial Management				
15	Hiring of Internal Auditors for FY 09-10 to be initiated	PRBDB	Immediate	Negotiations and contract to be completed by June 30, 2010.
16	Provision of adequate funds to PRBDB for project implementation	PRBDB	Immediate	Complied.
17	Submission of FY 2008 – 09 Audited Financial Statements	PRBDB	Immediate	Complied
18	Filling up of vacancy at Mohali Division	PRBDB	Immediate	Complied
19	Ensure/enforce proper EMP implementation on UG/01	PRBDB/PWD/Contractor/CSC	Immediate	Complied

20	Complete closure (rehabilitation / restoration / enhancement works) activities on Rehabilitation Roads and on UG/03	PRBDB/PWD Contractor	Immediate	Compliance report submitted for UG3. Pending for RH packages. Expected by June 30, 2010
Environmental Management and Safeguards				
21	Improve EMP implementation on UG1 and UG2	PRBDB / Contractor / CSC	Immediately	Partially Complied Corrective actions taken in UG/02 but the same is pending on UG/01
22	Complete closure (rehabilitation/ restoration/enhancement works) activities on Rehabilitation Roads and on UG3	PRBDB / Contractor / TAC / CSC	Immediately	Partially Complied. Activities undertaken on RH4 and RH2. Task pending for RH3, RH1 and RH5.
Project Management				
23	Vacant positions ² in PRBDB to be appointed	PRBDB	Aug 31, 2009	Project Manager (Proc.) to be appointed.
24	Approved performance based incentives to be paid to PIU staff ³	GoP	July 31, 2009	Not complied

Actions in **grey cells** above are pending compliance from July 2009 mission

¹Corrective actions taken in UG/02 but the same is pending on UG/01

² Legal Advisor, Chartered Accountant, PM (Procurement), PM (Contract)

³ SLEC has principally approved Performance based incentives to PIU staff

Implementation Progress by Component**Road Upgradation, Rehabilitation and Maintenance Component****Site Visit Observations*****UG 1 Kharar-Banur-Tepla Road***

MS 1: (Km 22+500 to 39+530): Completed in June 2009. The DLP is about to be over. The CSC has prepared a list of defects yet to be rectified by the contractor. The same should be followed up & the defects got removed at the earliest.

MS 2: (Km 0+000 to 22+500): Scheduled date of completion as per contract: 29.12.2009, extended date of completion: 11.4.2010. Progress achieved as on 24.5.2010: 71.1%. As per the contractor's estimate, the work can be completed by 31.7.2010. However, as per the present progress & the contractor's readiness; this doesn't appear to be possible. The following are the major bottlenecks:

- Shifting of the utilities, particularly the drinking water supply line in ch: 0 to 1 Km. The progress on the shifting is slow.
- Due to non availability of sufficient skilled manpower, particularly the steel bar binders & carpenters, the progress of the construction of one major bridge @ ch: 6+100 & the two minor bridges @ ch: 7+600 & 15+500 is very slow. These structures & the approaches are unlikely to be completed by the 31st July 2010.
- Work on two slab culverts has yet to be started.

The contractor & the CSC were advised to work out a realistic requirement of work force for completing the structures. The Employer was advised to call the top management of the contractor for a meeting to sort out the issue of providing sufficient skilled manpower.

The balance quantities of road work are manageable. The fact of the approaching monsoons should, however, be kept in mind to work out a realistic programme.

According to the contractor, one of the reasons for slow progress is the *inordinate delay* in release of payments against the IPCs. The last payment made to the contractor was for the IPC no. 13 for the month of December 2009. Since then there are 3 pending *certified* IPCs for which payment is yet to be released. IPCs 14, 15 & 16 add up to Rs. 11.65 crores & the value of the work done as per IPC 17 (yet to be certified) is Rs. 3.8 crores. The total amount for IPCs 14 to 17 is, therefore, over Rs. 15 crores.

There has been improvement in the quality of work since last mission.

UG2: Ludhiana-Malerkotla-Sangrur

The package is being implemented very slowly by the contractor. The contractor has not been able to carry out the works as per program for any one month thereby increasing the gap between the quantum of works that should have been completed and the actual works. The completion date for the contract is August, 2010 and the contractor should have achieved a total progress of more than 95 percent both in physical and financial terms. As against this, they have achieved only about 50 percent progress. This is a matter of concern. A detailed discussion was held between the employer, PRBDB, the supervision consultants and the senior executive of the contractor in the presence of the mission for expediting the work progress. According to the contractor, the contract can be completed only by end March, 2011 i.e. almost 6 months after the due closing date that too if the contractor increases its working capacity to almost 2.5 times, about Rs.10 crore per month, of what is being achieved at present. The details of the progress on this contract and the issues are summarized hereafter.

MS-1, km 27.5 to km 45.5, with due date for completion as September, 2009 is substantially complete except for installing of crash barriers in the median in the last 2 km in the Malerkotla town. The client can take over the MS-1 road and this work can be completed within the defect liability period. The drain covers, within the town, are not done properly and need to be fixed. The quality of carriageway and other structures is good. In one of the meeting between the contractor, employer and the supervision consultants it was agreed to extend the closing date for MS-1 to February, 2010. However, since the supplementary agreement was not signed by the two parties, no further EOT has been granted beyond September, 2009. The contractor has taken up this matter with the DRB and mission was informed that the DRB chairman was of the view that once the extension for MS-1 was agreed in a meeting, the decision should be adhered to.

MS-2, is split into two parts, part A from km 5.6 to km 27.5 and part B from km 45.5 to km 77. The remaining works in this milestone include box culverts- 18 to start and 10 ongoing out of 41; pipe culverts- 10 not started and 1 in progress out of 15; major and minor bridges- 2 major bridges in progress (mission did not notice any work being carried out on these and only limited works have been done), 6 minor bridges in progress and 2 yet to start out of a total of 10. The works on all the structures is progressing very slowly and the contractor needs to deploy sufficient man-power to complete these structures. In one of the major bridges over a canal, the contractor has not been able to carry out works due to continuous flow of water through it. Contractor laid the open foundation for the 4 piers when the canal was closed for a short period. Since this canal carries water for drinking purposes, closing it for even 10 days is not possible. The contractor has not been able to construct even the two abutments since the canal is full and a coffer dam would cause the water to flow over the existing bridge. PWD should approach the irrigation department to reduce the flow of the canal so that the water level goes down and the abutments can be constructed by constructing coffer dam at the site of abutments. The contractor has also suggested a change in design for the superstructure so that it can be constructed without closing the canal. The 'engineer' and employer should review the proposal, once submitted by the contractor, and inform the contractor of their decision shortly. The other main bridge, with about 48m single span, is proposed to be constructed using in-situ casting. The contractor is proposing using pre-casted girders for this. It has not submitted any proposal of the alternative design for the superstructure. It needs to submit the same at an early date so that the 'engineer' can review the alternate design and provide its recommendation to the employer for their decision. Completion of structures is on critical path and unless the contractor increases the labor substantially, the project would be further delayed. The contractor has agreed to submit a detailed work program for completion of all the structures by **June 10, 2010** for review to the 'engineer' which has agreed to provide their comments within a week.

A large quantity of bituminous works, about 32,000 cu.m. in part A and about 26,000 cu.m in part B is still left over in addition to some WMM quantities. The contractor has set up one additional hot-mix plant in the part B section. However, given the capacity of these plants, a maximum of 160-200 cu.m per day of bituminous works can be taken up in each part of MS-2, requiring almost 150 days that too after completing all the culverts that may take 2 months to complete. This will extend the project completion to March end, 2011. The contractor has also proposed that on part B, the hard shoulders may be converted into paved shoulders since the loose chips on the shoulders would not last long and would not contribute to increase in capacity of the road section. The 'engineer' would be making its recommendation to the employer for their decision. The mission also felt that the employer should consider this favorably since it would improve the quality of the road and increase its capacity. The employer has agreed to communicate their decision by **June 7, 2010**. The contractor would be submitting the revised work program for these works also by **June 10, 2010**.

There are over 55 trees still to be cut in km26-27 stretch. The PWD has applied for permission and the permission is still awaited. This needs to be expedited since it would affect the working in this particular stretch. Besides there are other trees spread over a long length for which permission from the forest department is still awaited. However, these trees would not affect the working of the contractor.

Proposed Expansion of OPRC Implementation

Consultancy Service and Project Preparatory Studies for Preparation of Conceptual Designs and Pilot Contracts, based the Output and Performance based Road Contracting (OPRC) for approximately 600 km roads networks in Punjab

Comments on the Final Report and Appendices, dated May 2010

1. The Report, dated May 2010, is a valuable product of the professional effort made by the Consultants, with the active support of the GOP and the World Bank Transport Team. The Report covers all aspects of an Output and Performance based Road Contracting (OPRC) type road civil works project, developed by OPUS International Consultants of New Zealand during the past two years of their engagement.
2. The Project introduced and developed a concept involving and innovative approach and modern methodologies related to an OPRC method of contracting and it is actually following a very similar and the world wide known method of Design, Build, Maintain, Operate and Transfer (DBMOT) method of contracting.
3. The developed concept fully covers the Asset Management and Preservation aspects for the roads networks, introducing the conceptual design for an optimal engineering option, blended with best practices in management and operation and by scheduling and providing the guidance on the sequence and mode of all required interventions encompassing the entire life cycle of the Project, estimated to 10 years. The Asset Management, as introduced in the Project, effectively covers the entire Project period, providing the required asset preservation and the “best value for money” option for that aspect. The Project covers about 600 km of the 3 adjacent road networks, situated in Southern Punjab, each characterized by their conditions and requirements.
4. Nevertheless, the Consultants have established the similarity and cohesiveness in their approach and developed a common basis leading to the effective asset management and preservation solutions, using the scheduled works program, year after year, and thus also providing the Employer with the required overall control and necessary guarantees of what is to be done, when and how. In the same time, the provided works program, developed under the proposed Financial Model and Payment Schedules, have provided enough flexibility and room for a Contracting Entity (CE) for their innovation, creativity and flexibility and for the required internal decisions on where and how to work, thus increasing their profit margins, but within the given quantitative and qualitative parameters, designed as the best and optimal engineering solution.
5. Although the Report finalization has been delayed for some time, for various reasons among which the frequent changes in the scope of the works, the final product, the Final Design Report, is worth all efforts invested.
6. The innovative aspects introduced in the conceptual design and explained in the Report, include among others: (i) Comprehensive LOS inclusive of durability and use of Falling Weight Deflectometer (FWD) in measurement of deflection, (ii) Use of pavement deterioration model and associated interpretation of pavement residual life as a criteria for “value for money” principle, (iii) Introduction of “Project management structure “ for the operation of this OPRC (DBMOT) model of contracting, (iv) Use of Financial Modeling and associated Payment Schedules so as to ensure positive cash flow of a CE, as well as their continuous interest during the entire life span of the project, (v) Periodic Payment Report model which serves the CE , the Employer and the Monitoring/ Supervisions Consultant (MC) with all elements needed to be verified and confirmed, before a payment for the required and designed outputs can be met. (vi) Model involving the expanded responsibility of a Monitoring Consultant/Supervisor in the Project control during implementation, different from the traditional FIDIC or Long Term Performance Maintenance Contracts, and (vii) System of Project Guarantees covering the Employer from a potential default of a CE during the entire life span of the project. All these creative innovations, in addition to the other elements, involved a careful and well structured conceptual design, and the full understanding of OPRC methodology, blended with the experience in similar projects and thus ensuring all parties and the WB as the co- financier, of successful implementation of the Project.

7. The use of Financial Model and Payment Schedules based on the designed best and optimal engineering option for the networks, will ensure that the engineering option will be implemented as scheduled, enabling the Employer and the co- financier to fully control the Project implementation, the Project expenditure and to provide the necessary budget for the implementation, timely and orderly.
8. Naturally, in order to make sure that the Project will be controlled and implemented as designed, there is a need for a robust, knowledgeable and experienced Monitoring Consultant (MC) who, with his expanded role, will make sure that all elements of the designed Project will flow as scheduled, provide the needed professional assistance in” real time” and advise the Employer and the WB (as an observer) of the necessary actions and decisions, in a timely and orderly fashion. The draft TOR for the MC services is expected from the Employer shortly.
9. However, we have also made some observations and suggestions for more clarity and better understanding by the wide public who will use this Report or parts of it, in conjunction with the Bidding Documents, which will also be issued shortly. These observations/suggestions call for the following:
- (i) A concise description of the methodology in understanding the major aspects of the design. This means, inter-alia, the time flow of the required and scheduled interventions and their nature, including the expected payment schedule.
 - (ii) An estimated resource based work program for the designed optimal engineering option, indicating the required equipment, their production, and the required manpower, with the necessary cash flow, already indicated in the Report.
 - (iii) A full description of the Project “handing over activities” and requirements (technical and financial), method of measurement, equipment and number and kind of the required tastings, so as to ensure the Employer and the WB that the Project, before its handing over to the Client, provides for the residual life of pavement and for other Level of Service (LOS) parameters in full, as designed and required.
 - (iv) A strong endorsement of the need for a CE to have within its organization a professionally recognized Consulting Firm, who will provide the necessary input during the entire life span of the Project, specifically for the detailed designs, field investigations and interpretations, preparation of Period Payment Reports, various management activities, etc.
 - (v) A “snap view” of the implementation requirements for each type of designed interventions developed under the Project, and
 - (vi) A comparison between the proposed major works specifications (Indian Standards) to other internationally recognized works standards, such as AASTO. This is going to be an ICB procured Project; therefore we can’t limit the implementation opportunities by limiting the use of the works specifications.

We would appreciate to review the above suggested issues incorporated, either in a final version, or by issuing an Appendix and in the Executive Summary for the Project.

10. What is now expected, besides the incorporation of the above suggestions, is the review of the Draft Bidding Documents. As discussed earlier, the Draft Biding Documents should be prepared for each civil works package and they should be based on the World Bank Sample Bidding Documents for OPRC of October 2009. After incorporation of all innovations suggested in the conceptual design for the Project, the WB Sample Bidding Documents for OPRC, will be further developed so as to lead us successfully to the next generation of OPRC Projects involving Asset Management and Preservation concept.

Annex-4**Environmental Management and Safeguards**

1. The mission reviewed the status of implementation of Environment Management Plans (EMPs) on the various road corridors under the upgrading (UG/1 and 02) and rehabilitation (RH/1 to 6) components of the project. As a part of the review, detailed discussions were held with the Environment Officer from the Construction Supervision Consultant's team (CSC) and officials of PRBDB. Additionally, the mission undertook a detailed review and helped in the finalization of outputs from the various consultancy services, which include assignments related to: (a) integration of environment management dimensions into the Standard Bidding Documents of Public Works Department; (b) EMP Training; (c) EMP Compliance and; (d) Output and Performance Based Road Contracts (OPRC). The status and progress on regulatory clearances, disclosure of information and documentation and reporting on environmental aspects was also reviewed by the mission.
2. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is 'satisfactory'. Environmental requirements such as camp/plant site management, borrow area rehabilitation, pollution monitoring, obtaining of regulatory clearances/permissions and site clean-up and restoration activities (particularly in case of rehabilitation component) have been considered for this purpose. The satisfactory quality and timely delivery of outputs from the various consultancy assignments has also been considered during the rating process.
3. **Implementation of EMPs:** The mission reviewed the adequacy and quality of EMP implementation in the project and focused on environmental aspects related to camp and plant site management, drainage works, work site safety, pollution monitoring, worker/labour facilities, waste management, operation/rehabilitation of borrow areas and the quality of documentation. Other aspects such as availability of Environmental Officers (EOs); consent/s from SPCB; drainage works; slope/embankment protection; top soil management and; mitigation/enhancement works were also reviewed in detail during the mission.
4. While improvements and progress has been noted in most areas, including on aspects pointed out during the previous mission, focused efforts are required to resolve two outstanding issues: (a) EMP implementation on UG/01, which continues to be weak and (b) drainage issues, on both upgrading and rehabilitation contracts, particularly with regard to provision of proper outfalls and maintenance/clean-up prior to monsoons. Also, continuous effort on part of all stakeholders is required to maintain safe worksites on both the on-going upgrading work contracts. The mission continues to urge PRBDB/PWD to closely follow-up the said outstanding issues and ensure that the contractors and the consultant fulfill the required contractual obligations satisfactorily.
5. Table 1 in this annex provides a summary of key actions required for improving environmental management in the various contract packages under the project. It also reflects the actions that have been completed or those that are outstanding since the last mission. It was agreed that PRBDB/PWD will prepare and share an Action Taken Report (ATR) with the Bank on the outstanding issues as part of the next Quarterly Progress Report. The ATR will be based on a systematic field verification exercise to be carried out by the Nodal Environmental Officer covering each point raised in the said table.
6. **Rehabilitation Works:** The civil works on all six rehabilitation packages under Phase I of the project have been completed. While there has been an effort and progress on the site restoration and clean-up activities on most contracts, there are some outstanding actions, which need to be completed at the earliest. Contract specific issues have been listed in Table 1. It was agreed that PRBDB will follow-up with the concerned PWD Division on the outstanding issues and the update on action/s taken will be included in the quarterly progress report/s.
7. **Upgrading Component:** While EMP implementation on UG/2 largely remains satisfactory, the compliance with EMP stipulations on UG/1 continues to be weak. However, worksites safety measures, particularly at the structure construction sites on both the upgrading contracts remain unsatisfactory and need immediate corrective actions. Deficient traffic management planning, poor quality of diversions (such as near km 64.800 in UG/2) and lack of proper advance warning signs have increased the risk of accidents for traffic, workers and local residents. In addition, lack of proper labour accommodation and provision of basic amenities, particularly on UG/1 and clearance of waterway at culvert/bridge construction sites, requires attention. In case of UG/3, compliance has been undertaken on issues pointed out during the previous missions.

8. The mission urged PRBDB/PWD to take strong corrective actions (including regular/focused supervision by the Nodal EO and use of appropriate contractual remedies, as needed) to ensure timely action so as to avoid slip-up in the quality of EMP implementation.
9. **Drains:** A report on the various issues pertaining to drain works has been prepared and shared by PRBDB. The report is currently being reviewed by the Bank and comments, if any will be provided. In the mean time, corrective action on drainage design has also been taken-up by PRBDB/PWD in some of the contracts (such as UG/2). However, in order to avoid/reduce any environmental health issue that may result particularly during the monsoons, the mission recommended that drains should be cleaned-up prior to the rainy season. Also, it would be useful to make ‘site observations’ during and after the monsoons to identify any possible areas that need corrective intervention/s.
10. **Pollution Monitoring and Capacity Building Consultancy Assignment:** The mission reviewed the progress made with regard to the consultancy assignments on (a) pollution monitoring and; (b) capacity building of PRBDB and PWD on environmental management. The mission expressed satisfaction on the quality and timeliness of the agreed outputs.
11. As part of the first assignment, six rounds of pollution monitoring have been completed covering all Phase I roads. More so, the ‘Environment (Pollution) Monitoring Manual for Road Projects’, which was prepared under the project and released in a workshop during July 2009 by the PWD Minister, is receiving good feedback from the users and has helped in improving EMP compliance on some of the campsites of PSRSP.
12. For the second assignment, based on training needs assessment study, a total of 16 rounds of training has been provided to the various PWD officials and other project staff (including contractor and supervision consultants) involved in the project. A final report on the subject has been shared by PRBDB with the Bank.
13. **Integration of environment management aspects in the Standard Bidding Document:** The mission acknowledged PRBDB/PWD’s efforts and expressed satisfaction at the completion of this assignment related to integration of environment management dimensions into the Standard Bidding Document of the Public Works Department (PWD). The document has been reviewed thoroughly, recommendations for mainstreaming of environmental requirements have been made and the document has been forwarded to Govt. of Punjab for adoption in future works of PWD. During this process, apart from the extensive consultation that was carried out with PWD staff, consultants and contractors, substantial experience from implementation of EMPs in PSRSP has been used for finalizing the outputs. The Bank has also participated in the key events and has provided extensive inputs to help mainstream environmental considerations in future PWD works.
14. **Output and Performance Based Road Contracts:** The two key environmental documents for OPRC contracts are now ready. These include: (a) Environment Screening Report and; (b) the Environment and Social Management Framework. The reports have been reviewed by the Bank and several comments have been provided by the Bank over the last one year. While most of the comments have now been addressed by the consultant, a few modifications are required before the said reports are finalized (the required changes have been pointed out both during the mission and in a meeting with the consultant and PRBDB after the mission in Delhi). With this, the outputs from the two reports will need to be linked/reflected in the main OPRC report and the Bidding Document, which are expected to be ready by June 2010 end.
15. **Regulatory Clearances:** Most of the required forest clearances and tree cutting permissions for the project, including a small additional requirement that was reported in case of RH/3 for drainage construction during the last mission have been obtained in time. However, during this mission, an additional requirement for cutting 135 trees in UG/2 has been reported, the details for which are summarized below:
- Km 19 to 27: A case requiring cutting of 67 trees is pending with DFO Ludhiana.
 - Km 43 to 70: 68 trees need to be cut and the case is pending with MoEF, GoI.
- This need for additional tree cutting has arisen on account some small change in the design for junction improvements and some previous omission during the Joint Verification Survey.
16. **Compensatory Afforestation:** In line with the discussion during the previous missions, the PRBDB has followed-up with the Forest Department, Govt. of Punjab on the issue regarding compensatory afforestation under the project and utilization certificates for the amount that has been deposited for the said purpose. The state Forest Department

has provided a written response (in March 2010) informing PRBDB that the amount received for Net Present Value (NPV) and Compensatory Afforestation (CA) under the Forest Conservation Act (FCA), 1980 has been deposited in the CAMPA account (Compensatory Afforestation Fund Management and Planning Authority), Ministry of Environment and Forests (MoEF), Government of India as per the directions of the Supreme Court of India. Utilization shall be done for the purpose for which the fund was deposited after it has been released by CAMPA, which is awaited as of now. Also, the Forest Department has informed PRBDB that according to FCA guidelines ‘utilization certificate’ is not required to be given to the user agency. The PRBDB has agreed to follow-up on the matter once again to gain any update on the said issue prior to the end of the project. Also, the status/update on the subject will be disclosed on the PRBDB’s web-site.

Table 1: Contract-package Actions Required for Improving EMP Implementation

Contract No. and Name	Key Outstanding Activities	Remarks
RH/1 & 5 Ferozpur-Zira-Dharamkot	<ol style="list-style-type: none"> 1) Details about execution of EMP related items (such as enhancement works) listed in the BoQ need to be submitted. 2) Information pertaining to waste utilization and disposal (including final quantities and disposal site details) is yet to be compiled and shared. 3) Portion of the camp site being used during the defect liability period has to be rehabilitated. 	The rehabilitation of the camp and plant site has been well executed and can be described as a good practice.
RH/2 Chandigarh-Landran - Sirhind	<ol style="list-style-type: none"> 1) Clean-up and rehabilitation of the waterway at Laknaur bridge (around km 12) is pending and needs to be undertaken at the earliest. 2) The camp/plant site rehabilitation, including waste removal from the camp has not been completed and needs to be ensured at the earliest. 3) Documentation submission related to environment management (as per the EMP reporting formats) remains pending. 	PRBD needs to closely follow-up (including field verification by the Nodal EO) on the outstanding activities with the concerned PWD Division,
RH/3 Phyllaur-Nagar-Rahon	<ol style="list-style-type: none"> 1) Rehabilitation of the camp/plant site has not been carried out. 2) Clean-up and proper disposal of wastes from the road side areas remains pending. 3) Waterway and temporary diversion at the bridge site near km 2 needs to be cleared-up at the earliest. 4) Details about execution of EMP related items (such as enhancement works) listed in the BoQ need to be submitted. 4) Documentation submission related to environment management (as per the EMP reporting formats) remains pending. 5) Information on waste utilization and disposal (including final quantities and disposal site details) has not been submitted as yet. 	PRBD needs to closely follow-up (including field verification by the Nodal EO) on the outstanding activities with the concerned PWD Division,
RH/4 Kapurthala-Tarn Taran	<ol style="list-style-type: none"> 1) Details about execution of EMP related items (such as enhancement works) listed in the BoQ need to be submitted. 2) Documentation submission related to environment management (as per the EMP reporting formats) remains pending. 	The rehabilitation of the camp and plant site has been well executed and needs to be documented as a good practice.
UG/1 Kharar-Banur-Tepla	<ol style="list-style-type: none"> 1) Worksite safety aspects, particularly at the structure construction sites need immediate attention and action. 2) The contractor continues to default on the issue of providing basic shelter and amenities to the labour. The CSC needs to take effective actions to ensure that proper shelter is provided and unhygienic living conditions are removed. 3) The waterway at all culvert construction sites in Milestone 2 section need to be cleared-up and spoils need to be disposed at pre-identified approved locations prior to monsoons. 4) Restoration of the waste disposal needs to be taken-up. 5) The land adjacent to the campsite getting affected due to the waste water discharge from the kitchen should be restored immediately by removing the unhygienic conditions that exist presently. 6) There is a need to clean-up the completed work fronts along the road side - waste dumps need to be removed and disposed as per procedures listed in the EMP. 7) Disposal of the stacked fine dust arrested from HMP is pending – the issue needs to be dealt with urgently. 	PRBDB and PWD need to follow-up with the CSC and the Contractor on all outstanding issues. The continual weak performance of the contractor and the CSC on this package warrants close follow-up and regular site visits from the PRBDB side.

Contract No. and Name	Key Outstanding Activities	Remarks
UG/2 Ludhiana- Malerkotla- Sangrur	<ol style="list-style-type: none"> 1) Worksite safety aspects, particularly at the structure construction sites need immediate attention and action. Temporary diversions are of poor quality and need to be rectified urgently. 2) Clean-up of the completed work fronts along the road side is required - waste dumps need to be removed and disposed as per the requirements stated in the EMP. 3) The waterway at the culvert construction sites need to be cleared-up prior to monsoons. 4) Concrete waste from batching plant has been dumped along road side, which needs to be removed and disposed at the approved location. 5) The CSC needs to take effective action to ensure that proper shelter and basic facilities are provided to the labour. 	The restoration of the debris disposal site in km 37 has been completed and is recognized as a good practice under the project. A school building is now under construction on the said site.
UG/3 Tarn Taran- Chabal-Attari	<ol style="list-style-type: none"> 1) Submission of details about execution of EMP related items listed in the BoQ is still awaited from the Division. 	Restoration of camp/plant site has been completed – a good practice example that needs to be documented as part of the EMP compliance reporting.

HIV/AIDS

HIV/AIDS Prevention Component

The Consultants engaged by PRBDB to implement HIV prevention activities have completed 20 months of awareness raising activities on the road development project. The mission was pleased with the activities being undertaken and the acceptance of the consultants work by the contractors and the communities. As the first phase of the project is being completed it is proposed that a mid-term evaluation of the HIV prevention component being implemented in the road development project be undertaken. Through this evaluation the effectiveness of the work being undertaken can be assessed and the lessons learned can be documented. To avoid the time delay of selecting and contracting a new evaluation Consultant, PRBDB could consider adding the HIV prevention evaluation ToR to the existing RAP evaluation Consultants contract engaged by PRBDB. It is proposed that the evaluation follows a sampling methodology and is conducted in a participatory manner.

HIV prevention activities on the phase-II roads are to be initiated but as the road-works contracts are yet to be finalized a challenge is that the Contractors workforce will not be immediately available for the Consultants to reach-out to. Hence, it is proposed that if in the project areas if PWD workforce or other contractors under NHAI, PIDB or PMGSY are engaged on road development projects, the Consultants could extend the prevention education services for the workforce of these contractors.

A concern raised by the Consultants is the high levels of stigma and discrimination prevailing in the state and people not willing to discuss HIV due to fear of the disease and cultural issues related to the subject. To reduce the levels of stigma and to intensify the prevention efforts it is proposed that the Consultants follow an approach of bringing in positive speakers. People who are living with HIV and who can share their testimonies and issues faced with, when living with HIV. This approach will bring in a face to the virus which the community can relate to and motivate people to change behavior. The positive speakers will also contribute to open discussions thereby reducing the prevailing levels of stigma and discrimination.

As it is envisaged, the OPRC contracts will be implemented for a period of around 8 to 10 years. The current approach of contracting a full-time Consultant (NGO) would not be a cost-effective approach. Hence for the future OPRC long-term projects a low-cost, it is suggested that a long-term effective approach for integrating HIV prevention activities in the road construction work would need to be developed.

Annex-6

Financial Management Aspects

1. **Disbursements:** Disbursement from the Bank as on May 21st, 2010 stands at USD 114.207 Million which represents 45.68% of the loan of USD 250.00 Million. Further, FMR for the period closing on March 31, 2010 has been submitted to the Bank and has been approved. This will result in an additional disbursement of Rs. 98.38 crores or approximately USD 21.06 million. The FMR has since been submitted to the CAAA and is under processing.

Expenditure information as provided by the project is as follows.

Punjab State Road Sector Project - Expenditure Status	
Particulars	(Amount in Rs)
	Project till April 30, 2010
Expenditures by Component	
Road Upgrading	3,065,852,854
Rehabilitation	2,662,331,280
Periodic Maintenance	646,428,979
Institutional Strengthening	33,280,090
Incremental Operating Costs	51,728,040
Total Expenditures (D)	6,459,621,243
Advance to Suppliers/Others	
Advances for Upgrading	309,025,149
Advances for Rehabilitation	493,201,933
Advances for Periodic Maintenance	-
Other Advances	99,757,287
Total Advances (E)	901,984,369
Less: Recovery/Adjustment of Advances	
Recovery for Road Upgrading	327,321,987
Recovery for Rehabilitation	336,066,781
Recovery for Periodic Maintenance	-
Other Recovery	1,935,185
Total Recoveries (F)	665,323,953
Net Advances (G= E-F)	236,660,416
Total Uses (H=D+G)	6,696,281,659

It was discussed during the mission that certain FMRs, even though fully approved by the Bank, were not fully disbursed by the CAAA. A meeting to reconcile FMRs/ approvals/ disbursements will be held in office of the CAAA to sort this issue.

2. **External/ Statutory Audit (EA):** A meeting was held with the Principal AG (Audit) Mr. Murugiah; this meeting was generally to exchange view on audit matters relating to this and another Bank funded project in Punjab. To ensure timely receipt of audit (by September 30th of each year), it was agreed that the project would submit its Annual Financial Statements to the AG latest by mid June of each year along with an invitation to commence audit. The AG would in turn depute its staff on a timely manner so that the due dates of audit were met. The

project would inform the Bank of the date when it submitted this communication to the AG. Secondly, the AG agreed to consider an interim meeting in between two audit cycles to discuss responses provided by the project on audit objections/ disallowances. For FY 08 – 09 a sum of Rs. 23.53 crores has been objected to/ disallowed by the auditors. The project has responded to the AG on 9th April but apparently the response has not yet reached the concerned officer. A meeting should be held with the AG to get these paras dropped at the earliest.

3. **Internal Audit (IA):** The process of hiring Internal Auditors using a competitive selection process has been completed; the assignment will be covering three financial years i.e. starting FY 09 – 10 and ending by FY 11 – 12. The auditors need to be mobilized at the earliest; audit starting from April 1, 2009 needs to be undertaken. The bank team also highlighted that the firm selected for audit is also executing the assignment for audit of Gram Panchayats under the Punjab Rural Water Supply Project and so it needs to be ensured that they have adequate resources to execute this assignment as well. The first audit report covering the entire financial year is expected by end of August 2010. Subsequently audit will be on a semiannual basis.
4. **Advances for shifting of utilities:** Advances are provided to other departments like the State Electricity Board, Water Supply/ Sewerage Board for shifting of utilities. These are then settled when the relevant departments provide a certificate (UC) that advances have been utilized for the purposes intended. As on date advances of Rs 4.4 crores are outstanding for the two departments; with a significant part of the same relating to FY 06 - 07. Obtaining UCs is always a difficult task and it has been noted in other projects that as advances get older, obtaining UCs becomes all the more difficult. The project must make the best efforts to obtain the UCs at the earliest. As per disbursement procedure, the amounts are not claimed from the World Bank till the time the UCs are received, so there is a financial implication of this delay as well.

Advances outstanding for shifting of utilities					
Department	2006-07	2007-08	2008-09	2009-10	Total
Electricity Board	28,316,923	8,382	1,856,846	4,491,466	34,673,617
Water Supply/ Sewerage Board	8,529,161	571,000			9,100,161
Total	36,846,084	579,382	1,856,846	4,491,466	43,773,778

5. **Others:** All divisions are fully staffed with Divisional Accountants and Tally operators. There continues to be regular interaction between these staff and PRBDB staff at head office, Mohali. The Financial Accounting Software is working well and it will now be enhanced to use the ‘synchronization’ functionality where divisional data will be available at head office on a day-to-day basis.

Action Points:

Action	Date
Information to Bank that Annual Financial Statements have been submitted to the Auditor General (AG) and AG invited to commence audit	June 15
Obtain Utilization certificates from other department for shifting of utilities	Ongoing
Provide a copy of Internal Audit Report for FY 09 – 10 to the Bank	September 30
Meet with Auditor General for settlement of audit paras of Rs 23.53 crores for FY 08 - 09	June 30

Results Monitoring Indicators

Project Outcome Indicators	Baseline (Nov 2006)	MTR Target Value (YR3)	Current Value (year 2010)	Remarks
Average network speed (kmph)	33.5	39	---	Consultancy under procurement for carrying out surveys
Reduction in VOC (%)	0%	6%	---	Consultancy under procurement for carrying out surveys
Maintain number of fatal accidents	2,655	2,655	3,333	(for the year 2008)
User Satisfaction	To be undertaken YR1	To be undertaken	61.11	Based on baseline Road User Satisfaction Survey completed in year 2009, satisfaction score is 61.11%. Midterm survey likely to start in June 2010.
Efficiency of Road Agency (PWD, PRBDB)	To be collected in YR1	Not yet due	60.27%	Based on baseline user satisfaction survey completed in year 2009, performance level of PWD, PRBDB is 60.27%. Midterm survey likely to start in June 2010
Results Indicators for Each Component				
Component 1: About 1,050 km of roads rehabilitated, resurfaced and maintained (km)	-	550 km	602 km	Phase I (except UG1&UG2) completed
Reduction in IRI	6.9	5.3	---	Consultancy under procurement for carrying out surveys
Reduction of network in poor and bad condition	52%	25%	---	Consultancy under procurement for carrying out surveys
Component 2: Routine and periodic maintenance fully funded during the project period; training program	INR 750 Million	INR 2200 Million	INR 1720 Million	Under 3054 (Non-Plan)
About 250 km of roads maintained through performance based contracts	0	100	0	Draft Final Report was discussed during the mission. The Consultant shall submit the Final Report by second week of June 2010.
Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring	Partial	Full computerization	Not yet done	The World Bank accorded 'No Objection' to the draft contract agreement on May 19, 2010. Contract agreement to be signed in first week of June 2010.

Governance and Anti-corruption Action Plan: Implementation Status**Disclosure of information**

Topics	Documents to be disclosed	Status
Procurement	The overall project Procurement Plan	Uploaded on PRBDB website and updated regularly
	All bid invitations and related documents (SPN, Expression of Interest, Letter of Interest)	Uploaded on PRBDB website as well as on UNDB online / dg market
	All Contracts awarded for consultancy services and for Rehabilitation, Up-gradation and Maintenance of Roads awarded on ICB/NCB or any other method of procurement.	Uploaded on PRBDB website as well as on UNDB online / dg market
Financial Management	Project Financing Plans	Uploaded on PRBDB website
	Budgetary allocation for the project	Uploaded on PRBDB website
	Expenditure Statement	Uploaded on PRBDB website by the way of QPR & the Audited Financial Statements of PSRSP
Safeguards	R & R Policy translated in Punjabi and Hindi	Uploaded on PRBDB website and World Bank's infoshop, kept in DC's Office, Gram Panchayat Offices, PWD field divisions and distributed among PAPs.
	Corridor specific RAPs.	Uploaded on PRBDB website and World Bank's infoshop, kept in DC's Office, State & District Libraries, Block Development Office, Tehsil & Panchayat office and PWD field divisions.
	Information regarding impacts and entitlements	Uploaded on PRBDB website. List of PAPs with impacts and entitlements pasted in the village panchayat offices and also at public info kiosks at sites.
	NGO's monthly progress report. This report should contain. Extent of land and other immovable properties acquired. ID cards distributed to number of PAPs. ID cards distributed to number of PAPs. Number of joint accounts opened. Compensation disbursed to number of title holder PAPs. Assistance disbursed to number of titleholder and non-titleholder PAPs. Training imparted to number of PAPs for income restoration. Number of cases registered with Grievance Redressal Committee and cases redressed. Number of awareness generation camps held for HIV/AIDS and road safety.	Reports uploaded on PRBDB web site. For the pending activity of HIV/AIDS awareness generation camps, PRBDB is sharing monthly report with Punjab State AIDS Control Society.
	Disclosures of grievance redress process	Grievance Redressal Process forms a part of the R&R Policy and thus stands disclosed.
	Advance intimation of planned consultation	Intimated to the PAPs only
	Details of consultation carried out (listing of date/venue/participants in generic name e.g. panchayat representatives, photographs, and brief summary of suggestions accepted/adopted.)	Disclosed in Public Information Kiosks, Field PWD divisions, to individuals and Panchayats
	Environment	EA Summary

Management	Environment Screening & Scoping Report	Bank's infoshop, kept in State & District Libraries, Construction sites/campus, PWD field divisions and information kiosks.
	Corridor specific EMPs	
	Quarterly Status Report	Through Quarterly Progress Report, uploaded on PRBDB website.
Engineering	List of roads proposed to be undertaken clearly indicating start and end points of the contract.	Uploaded on PRBDB website and available with PWD field divisions.
	Proposed works/treatment giving details of widening, bypasses, junction improvement, drainage, traffic safety feature including proposed cross section and strip plan depicting major features etc.	Available in Public Information Kiosks
	Physical and Financial progress of each contract to be updated quarterly.	Uploaded on PRBDB website by the way of QPRs. However this is not being printed in any print media.
	Contract details of the concerned division, PRBDB, contractors and consultants.	Uploaded on PRBDB website and displayed on the display boards at the sites.
	Construction program with milestones and completion dates	Being submitted by the Contractor and relevant information being put in the information kiosks at work sites.
Institutional Development Strategy	Long Term Strategy for Road Sector by MTR	Final Report uploaded on the website.
	RMF Report	Pending
	State of the network report	Baseline survey data uploaded on the website.
	User satisfaction surveys	Baseline Road User Satisfaction Survey completed. Midterm survey likely to commence in June 2010.
	Project outcome & output indicators.	Procurement being made for the cited services

Action Plan to Increase Oversight

Transparency/ Disclosure Aspect	Action to be taken	Status
To facilitate CSO	Oversight, of procurement process and the implementation, shall be encouraged and facilitated, by inviting independent observers from local universities or other independent institutions.	Attempted but not succeeded fully due to poor response from educational institutes.
	The project will pilot use of CSO during the construction of roads.	Planned in Phase II

Action Plan to Manage Conflicts, Suggestions and Grievances

Transparency/ Disclosure Aspect	Action to be taken	Status
A system needs to be developed to handle comments, suggestions and grievances with clearly defined responsibilities and procedures.	A comments, suggestions and grievances handling system, which includes maintaining a project log and filing to monitor status of follow up of each received comments, suggestions and grievances, will be established by the PRBDB and the Bank. The mechanisms will include provision for follow up investigations of substantial complaints by the internal Auditors, or third party audit to ensure independency and reliability of the system.	PRBDB has a link on its website wherein all the complaints / suggestions / grievances can be logged. These are monitored regularly. In addition, all the information on comments, suggestions and grievances is also made available through Monthly & Quarterly Progress Reports.
	A comments, suggestions and grievances handling component will be included at the PRBDB web site; http://prbdb.gov.in/ .	The PRBDB has a complaints link on its website which logs the comments, suggestions and grievances as and when received concerning the project. However, there is no provision to lodge a complaint or a grievance directly from the website.
	A policy describing incentives and sanctions will be developed and publicized.	Not done yet
	Tracking of the status of investigations and measures taken will be reported in monthly reports to management and the Bank. Complaints deemed possible serious infringements may be further investigated by the Bank.	The current status of investigations and measures taken are routinely reflected in Monthly & Quarterly Progress Reports.

Procurement - Risk Management Action Plan

Observation Head	Agreed Action	Status
Lack of clarity on Public Procurement Processes	GOP will arrange for adequate training on regular basis through dedicated structured modules for the state agencies.	PRBDB has been sending its officers as well as the officers from PWD for training with reputed organizations/institutes like NICMAR, NIFM, CRRI, IIT, Administrative Staff College of India and NITHIE on a yearly basis to strengthen the expertise of its officers on implementation aspects related to the project. Some of these institutes also provide structured modules of training as requested by PRBDB. Further, PRBDB is also in the process of developing a long term plan for training of its officers wherein the year long training schedule for each of the officers would be decided well in advance and it would be mandatory for each of the officers to attend these trainings.
Deficient Planning Monitoring, Evaluation and Reporting with respect to Projects.	Provide structured training to the officials through reputed Institutions and improve the monitoring and reporting of the projects for stricter and proper coordination of project related procurement.	

Weak Implementation	Provide structured training to strengthen the departmental expertise on implementation aspects and develop procedures and formats for pre-audit by the supervising officials to obviate slippages on contractual matters.	PRBDB regularly invites eminent speakers from across the nation to deliver lectures on Contract Management, World Bank guidelines and Procedures, OPRC etc. This helps the officers to strengthen the contractual expertise and iron out any deficiencies in the understanding of the contractual clauses.
Non transparency in decision making since the decision making is generally individual centric	To develop systems and procurement procedures consistent with international best practices, engaging renowned experts. Ensure oversight of independent observers during bid evaluation process and civil society during implementation phase of the projects as confidence building measures, in addition to an elaborate disclosure policy and compliance to RTI Act, 2005.	A Tender Evaluation Committee (consisting of 5 members) and a Tender Acceptance Committee (Consisting of 2 members) has been formed to streamline the procurement. All the information regarding the procurement is uploaded on the PRBDB website and dgMarket as soon as it is available.
Weak Implementation Audit and Vigilance follow up	The pending audit and vigilance cases to be pursued to conclusion and future cases to be closely monitored and followed-up with a time-frame for response and compliance.	Every audit observation by the AG/other audit agencies is attended to and disposed of promptly in PRBDB.
Inadequate Record keeping	PRBDB will maintain all records duly catalogued and indexed in a manner and the form which facilitates the Right to Information under the RTI Act, 2005 and ensure that all records that are appropriate to be computerized are, within a reasonable time and subject to availability of resources, computerized and connected through a network all over the state on different systems so that access to such records is facilitated.	An endeavour is being made by PRBDB to properly catalogue and index all the records related to the project so that these are available as and when required by any agency or under RTI.

List of Key Persons Met

Government of Punjab

Mr. S. C. Agarwal, Chief Secretary, Government of Punjab
Mr. Kulbir Singh, Secretary, Public Works Department, Government of Punjab

Public Works Department

Mr. S. C. Khanna, Chief Engineer, PWD
Mr. A. P. S. Brar, Executive Engineer, Central Works Division, Mohali
Mr. Aadesh Gupta, Executive Engineer, Ludhiana

Punjab Roads & Bridges Development Board (PRBDB)

Mr. Yogesh Gupta, Project Director
Mr. Gursharan S. Gill, Deputy Project Director
Ms. Aparna Gupta, Project Manager, Social
Mr. Davinder Bajaj, Project Manager
Mr. Rajeev Arora, Project Manager
Mr. K. Kabilongtshup, Project Manager – Environment
Mr. P. N. Roy, Project Manager – Social
Mr. Navdap Aseeja, Project Manager – Road Safety
Mr. Harpreet Singh, Project Manager – Design
Mr. Pramod Kalia, Project Manager - IT

Consultants and Contractors of upgrading packages